AGENDA
GIG HARBOR CITY COUNCIL STUDY SESSION
Thursday, January 11, 2024 - 5:00 PM
Virtual Meeting

This meeting may be accessed through Zoom at https://zoom.us/j/93216056382 or by calling (253) 215-8782 and entering Meeting ID 932 1605 6382. This meeting may also be viewed live in the Executive Conference Room at the Civic Center. All participants will be engaging in the meeting via Zoom.

CALL TO ORDER/ROLL CALL

DISCUSSION ITEMS

1. **Levy Lid Lift**
   Finance Director Dave Rodenbach

2. **Public Comment Procedures**
   City Attorney Daniel Kenny

3. **Creative Endeavor Grant Funding**
   City Administrator Katrina Knutson

ADJOURN

PUBLIC COMMENT & DECORUM

Public comment will be not be accepted at this study session.

AMERICANS WITH DISABILITIES (ADA) ACCOMMODATIONS

ADA accommodations can be provided upon request. Those requiring special accommodations should contact the city clerk at cityclerk@gjgharborwa.gov or (253) 853-7613 at least 24 hours prior to the meeting.

GIG HARBOR
"THE MARITIME CITY"

City of Gig Harbor
City Council Agenda Bill

Meeting Date: January 11, 2024

SUBJECT: Levy Lid Lift

SUBMITTED BY: Finance Director Dave Rodenbach
DEPARTMENT: Finance **PHONE:** (253) 853-7610

SUGGESTED MOTION: None.

BACKGROUND INFORMATION: See Staff Memo.

FISCAL CONSIDERATION: See Staff Memo

ATTACHMENTS:
1. Staff Memo
2. DRAFT Fact Sheet

STRATEGIC PLAN PRIORITY: Ensure sustainable future for public services and facilities.

GIG HARBOR
"THE MARITIME CITY"

MEMORANDUM

DATE: January 5, 2024

TO: Mayor & City Council

FROM: Finance Director Dave Rodenbach

SUBJECT: Levy Lid Lift

As we head into the 2025-26 budget season, the city's general fund is facing a difficult reality in that projected general fund 2023-24 revenues are about 10% short of 2022 actual revenues and what we need to continue to fund our desired levels of service.

Below are the projections for the general fund ending fund balance in the current and upcoming budget.

	Projected Ending Fund Balances			
	2023	**2024**	**2025**	**2026**
Ending Fund Balance	$ 4,202,032	$ 1,994,231	$ 19,673	$ (2,277,368)
Required Ending Fund Balance	3,000,000	3,000,000	3,000,000	3,000,000
Surplus/(Deficit)	$ 1,202,032	$ (1,005,769)	$ (2,980,327)	$ (5,277,368)

The current projected **deficit at year-end 2026 is approximately $5.3 million**. The city requires a new revenue source of $2.0 million/year beginning in 2025 to maintain existing service levels.

As you can see in the chart below, the annual increase in property tax is not even keeping up with increasing public safety expenditures, which is simply one functional area. All other city operational costs are also increasing annually.

	Property Annual Increase	**Annual PD Exp. Increase**	**Surplus / (Deficit)**
2020	$ 108,284	$ 185,040	$ (76,756)
2021	101,089	78,842	22,247
2022	121,209	342,923	(221,714)
2023	$ 83,187	$ 703,907	$ (620,720)

Here is another way to look at the need. Several years ago, the city added four police officer positions to the budget. The costs associated with these positions and required annual street maintenance program expenditures (which have not been funded for the many of the last 6-years) are shown below. The last row shows the estimated levy rate required to fund these items.

	2024	2025	2026	2027	2028	2029	2030
Police Officer - 4 ea	$ 616,800	$ 647,640	$ 680,022	$ 714,024	$ 749,725	$ 787,211	$ 826,572
Annual road maintenance	2,500,000	2,625,000	2,756,250	2,894,063	3,038,766	3,190,704	3,350,239
Annual amount needed		**$ 3,272,640**	**$ 3,436,272**	**$ 3,608,086**	**$ 3,788,490**	**$ 3,977,915**	**$ 4,176,811**
AV	4,877,428,166	5,365,170,983	5,901,688,081	6,491,856,889	7,141,042,578	7,855,146,836	8,640,661,519
Estimated Tax rate		**$ 0.60998**	**$ 0.58225**	**$ 0.55579**	**$ 0.53052**	**$ 0.50641**	**$ 0.48339**

There are a number of factors that have led to this shortfall:

- Since 2013 the **city's population has grown 65%** from 7,913 to 13,060 residents
- Stagnant growth in property tax revenues due to 1% IPD limit
- A downturn in sales tax revenues
- A downturn in permit revenue due to slowing development
- Accelerated inflation in 2022 and 2023

In response to the above-noted growth:

- The city's general fund workforce has grown from 48 budgeted full-time equivalent (FTE) employees to 72, an increase of 50% over the same time span. This includes a nearly 50% increase in the size of the city's police department.
- The city has increased miles of roadway 39% since 2006.
- The city has increased city parkland and open space 90% since 2013.
- The city has increased miles of public trails by 30% since 2013.

The city is considering several options to increase general fund revenues:

1. **Increase property taxes through a levy lid lift.**
    a. A doubling of the city's current levy rate would bring in an additional $3.4 million annually.
    b. A 50% increase in the levy rate would bring in about half that - $1.7 million.
    c. Gig Harbor voters have not been asked to raise the amount levied by property taxes in almost 40 years for city services.
    d. Current city property tax rate is $0.69. This is 43 percent of the $1.60 maximum rate.
    e. Total annual property taxes for a $1 million home in the City of Gig Harbor in 2023 are about $8,001 - $8,581, depending on the taxing zone where the house is. Of that amount, the City of Gig Harbor receives **$698.** The 2024 city levy rate is virtually unchanged from the 2023 rate.
    f. The city has not asked voters for a property tax increase since 1980.
2. **Enact a B & O tax on businesses within the city.**

a. A B & O tax on all city businesses at the maximum rate is estimated to bring in between $1.5 and $2.0 million. This is with a $1.0 million threshold (if business has less than $1 million in gross rescripts, they are exempt).
b. The city would need to hire a position to administer the B & O.
c. All ordinances that impose a B&O tax for the first time or raise rates are required to provide for a referendum procedure.

3. **Pass a criminal justice sales tax.**
   a. This would bring in an estimated $1.2 million.
   b. This tax would be limited in use to public safety.

About the General Fund
The general fund supports all City of Gig Harbor activities that are not utility related. This includes public safety, community development, parks, street operations and maintenance of city-owned facilities.

The city operates 20 general governmental funds and nine enterprise (utility-related) funds. In accordance with state law, **the general fund must stand alone and cannot receive support from other funds.**

The table below shows the current general fund financial trends. The table depicts operating revenues and expenditures only. It is important to note that the 2021-2022 expenditure period was artificially low as the city was short nearly 25 percent of its authorized positions, due to unfilled vacancies. The city must either increase general fund revenues or decrease general fund expenditures.

Operating Revenues (Grants & Capital-Related Removed)						
	2021 Actual	2022 Actual	2023 Projected	2024 Projected	2025 Forecast	2026 Forecast
Total Revenues (less grants)	$ 16,553,234	$ 16,833,856	$ 16,618,204	$ 16,623,420	$ 17,058,037	$ 17,506,455
Total Expenditures (less grant-related, capital outlay)	13,045,977	16,460,433	17,395,402	18,220,254	18,837,557	19,602,607
Excess / (Deficit)	$ 3,507,257	$ 373,423	$ (777,198)	$ (1,596,834)	$ (1,779,520)	$ (2,096,152)

The table below shows the general fund departments and their respective 2023 expenditures and 2024 budgeted expenditures.

	2023 Expenditures	2024 Budget
Non-Departmental	$ 4,481,445	$ 4,635,173
Legislative	78,834	80,427
Court	629,738	670,916
Administration	2,695,740	2,718,893
Police	5,094,645	5,973,872
Community Development	2,462,751	2,556,481
Parks	1,996,749	1,672,436
City Buildings	600,000	2,789,806
Totals	**$ 18,039,902**	**$ 21,098,004**

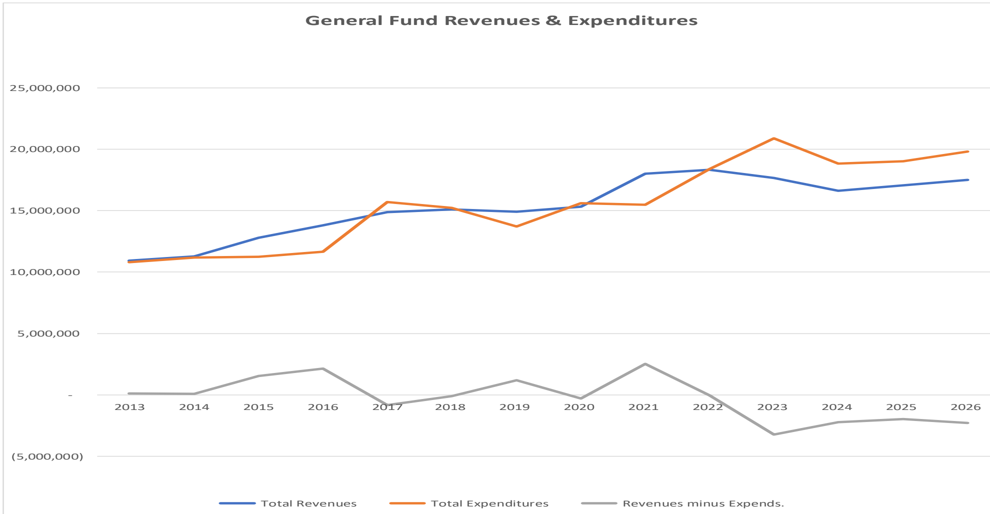
The revenue to fund these programs comes from the following sources shown in the table below. The 2024 total revenue estimate for the general fund is $16.6 million. Out of this $14.4 million is from taxes. In 2021 and 2022 development fees were $1.9 and $1.3 million respectively and have averaged $1.7 million over the 2013 – 2022 time period. In 2023 development fees were one-half of that average and are expected at that level for 2024.

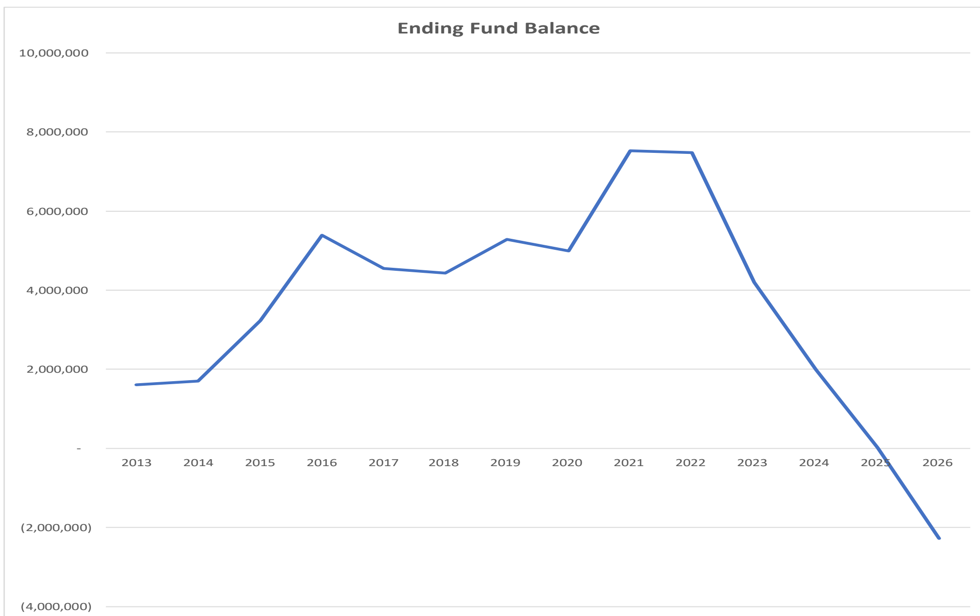
	2023	2024
Property tax	$ 3,359,238	$ 3,404,969
Sales tax	9,116,870	9,208,039
Utility taxes	1,800,192	1,818,194
Gambling/other tax	227,168	229,356
Development fees	853,754	862,249
Grants & state shared revenues	1,481,728	364,271
Charges for services	134,861	136,210
Fines & forfeits	52,168	52,690
Miscellaneous (interest etc.)	629,655	547,441
	$ 17,655,634	**$ 16,623,419**

Without closing the funding gap, the city will need to find ways to reduce general fund expenditures by about $2 million annually (or roughly 10% of the general fund budget). This will, of course, have an impact on the levels of service provided from the general fund which includes:

- Providing police and public safety services
- Maintaining city parks and open spaces
- Maintaining city streets
- Planning community events and activities
- Supporting local small businesses
- Supporting public art and local artists
- Preserving the city’s charm and historic heritage
- Preserving the city’s natural beauty

Staff recommends a balanced approach to solving the funding gap. This would include a combination of levy lid lift, B & O tax and public safety sales tax. A minimum of $3.0 million is recommended in order to fund adequate street and parks maintenance and meet our public safety needs.





FISCAL CONSIDERATION: The city's existing tax rate is about $0.69 per $1,000 of assessed valuation, while the city's statutory rate is $1.60 per $1,000 of assessed valuation. Setting the rate to the maximum would bring in an additional $3.4 million to the general fund and solve the problem.

A permanent single year levy lid lift would establish a reliable funding source for ongoing city operations.

Levy Lid Lift Fact Sheet

This draft will be updated once staff has direction from council

As we begin preparing the city's 2025-26 budget, the city is facing the difficult reality that the projected general fund revenues are almost 10% short of what we need to continue to fund our desired levels of service. This deficit of approximately $2,000,000 is projected to continue each year for the foreseeable future as noted in the city's recent general fund 6-year forecast. The city's general fund supports the basic functions of the city including police operations, park and building operations, and street operations.

There are a number of factors that have led to this predicted shortfall:

- Accelerated inflation in 2022 and 2023.
- A downturn in sales tax revenues.
- A downturn in permit revenue due to slowing development and growth.
- Stagnant growth in property tax revenues due to the annual 1% Implicit Price Deflator limit.

Since 2013 the **city's population has grown 65%** from 7,913 to 13,060 residents. To keep up with this growth, the city's general fund workforce has grown from 48 budgeted full-time equivalent (FTE) employees to 72, an increase of 50% over the same time span. This includes a nearly 50% increase in the size of the city's police department. In addition, the city has added a significant amount of infrastructure such as lane-miles of roadway, acres of new city parks, and many new public facilities.

During this same 10-year period, however, the **city's share of revenue generated by property taxes has only grown 8%**, after adjusting for inflation. This minimal increase in the city's share of the property tax is due to the way the city's property taxes are calculated. Specifically, in 2013, the city property tax rate was $1.40 for every $1,000 in assessed value. **By 2023, that rate had eroded to only $0.70 per $1,000.** Additionally, in 2024, the property taxes paid by city residents will be reduced by $0.065388 per $1,000 in assessed value due to the expiring Eddon Boat Park bond.

Despite gaining many efficiencies across the city and freezing the hiring of multiple positions in 2023, the city's general fund expenses continue to climb at a much faster rate than revenues. Options for the city at this point are to increase revenues or decrease services by reducing the city's established levels of service.

Based on these facts, The city is considering increasing through a levy lid lift the property tax rate to $____ per $1,000. Accounting for the expiring Eddon Boat Park bond the net increase to an individual's property tax is an additional $____ per $1,000.

Police Department Operational Facts

LEVELS OF SERVICE

From 2013 – 2022, Police Department calls for service have increased from 8,000 to over 14,000 (75%) while the number of police officers has increased by only 31%. In 2023, the department was authorized to add four additional officers, which represents an increase of 56% from 2013 staffing levels.

In 2013, the ratio of officers per thousand population was 2.0. In 2024, even with increased staffing, that ratio will decline to 1.9 officers per thousand.

Census data shows that the daytime population of Gig Harbor increases to over 20,000 people. That creates a ratio of 0.8 officers per thousand during the day.

TRAFFIC ENFORCEMENT

The rising number of calls for service decreases opportunities for traffic enforcement. The additional officers authorized under the 2023-24 budget will allow for increased emphasis on traffic enforcement. Continued funding will allow this increased focus on traffic to continue.

ALTERNATIVE PATROLS

The Gig Harbor Police Department has specialty units that feature officers trained in bicycle and marine patrol. Due to the volume of calls for service, staffing for regular patrol duties takes priority. This greatly reduces our ability to deploy bicycle officers in the business districts, parks, and the Cushman Trail. Marine patrol operations, which includes boating safety enforcement, search and rescue, and derelict vessel abatement have also declined in recent years due to increased patrol call volumes. Sustaining increased staffing is critical to maintaining a safe and clean harbor.

ACCREDITATION

The Police Department is going through the process to become state accredited. This means the department must meet stringent policy and procedure requirements. This is an ongoing task and one that needs to be managed. An administrative lieutenant position is critical to maintaining this certification. Any general fund shortfall would negate this potential position.

SCHOOL SAFETY

For the past several years, the city and the school district have discussed the potential of jointly funding a school resource officer within our schools. Without sustained police staffing, this position cannot be advanced.

Parks and Facilities Operational Facts

LEVELS OF SERVICE

The city has seen more than a 90% increase in the number of acres of developed parks since 2013.

Not all park operations are necessary to provide a safe area to play, recreate, and relax. By reducing the levels of service for those park operations that are not safety related, multiple unintended consequences follow. The reduced levels of service may reduce restroom cleanings, garbage can clearing, mowing and watering grass, weeding and planting bed cleaning in parks and roadway medians, operation of drinking fountains, operation of the city's water feature at Skansie Park, etc.

PREVENTIVE MAINTENANCE

The city's assent management software has greatly assisted in gaining many efficiencies including in the world of preventative maintenance. By being proactive to maintenance instead of reactive, the city better controls labor, equipment, and material costs.

The city is already deferring building maintenance and facility efficiency projects in the short-term. However, this is neither sustainable nor cost-effective.

Streets Operational Facts

LEVELS OF SERVICE

The city has seen more than a 15% increase in the number of lane miles since 2013 and a 39% increase from 2006. Each new lane mile of street has many components to keep operational, including the road surface, streetlights, striping and pavement markings, signs and, landscaping. Some of these components have mandated maintenance standards, however, there are many components that are optional or don't have standards.

One of those components that have optional maintenance standards is pavement maintenance. The city has a routine schedule to perform pavement maintenance and the resurfacing of roadways. The city has already postponed its pavement maintenance program as part of the 2023-24 budget and will need to consider postponing it again in the 2025-26 budget. The resulting postponement of pavement maintenance will result in roadway surfaces that are rutted, cracked, and spalling.

PREVENTIVE MAINTENANCE

The city has either eliminated or significantly reduced preventive pavement maintenance from its budget for more than 10 years due to lack of revenue. The pavement maintenance that has occurred has been limited in scope. Continuing to postpone pavement maintenance will degrade facilities faster and cost more in the future to bring our road surfaces back up to standards.

INCREASED EFFICIENCIES

Despite the staff recently improving the city's deicing and snowplow procedures, more lane-miles require more staff and equipment to keep streets clear during inclement weather. More efficiencies planned as part of the 2025-26 budget include a more aggressive street sweeping program to reduce the time required to clean storm basins and construct an on-site decant facility to better manage storm debris instead of trucking this debris to locations in Port Orchard and Tacoma.

<u>Conclusion</u>

Without closing the funding gap, the city will need to find ways to reduce general fund expenditures by about $2,000,000 annually (or roughly 10% of the general fund budget). This will, of course, have an impact on the levels of service provided from the general fund which includes:

- Providing police and public safety services
- Maintaining city parks and open spaces
- Maintaining city streets
- Planning community events and activities
- Supporting local small businesses
- Supporting public art and local artists
- Preserving the city's charm and historic heritage
- Preserving the city's natural beauty

Open Public Meeting – Public Comments

The City Council passed a motion in late 2023 addressing how public comments will be handled at city public meetings until such time as the topic can be more fully discussed. The next study session will be the Council's first opportunity to discuss options for ongoing rules controlling public comments.

Staff would like to gather input from City Council on how the rules should be updated, if at all. Staff will take the input received at the study session and will prepare updated rules of procedure that Council will consider at a future regular council meeting.

We will discuss the topic in great detail at the study session, but the following information is intended to help prepare you for that discussion.

Required Public Comments

The City Council is required to allow for public comment "at or before every regular meeting at which final action is taken." RCW 42.30.240(1). "Regular meeting" is a legal term of art within the Open Public Meetings Act and would cover your regular bi-weekly meetings, but would not cover special meetings, which is a different legal term of art. You may wish to accept comment beyond just "regular meetings." Final action is the collective positive or negative decision or an actual majority vote of the council on a motion, proposal, resolution, order, or ordinance. In other words, if the Council goes beyond merely receiving information and discussing the information and starts to make a collective decision or takes a vote, the council is taking final action and public comment is required.

Public comment may be allowed either orally or in written form. If the City accepts written testimony, it must be distributed to the governing body and the Council may set a reasonable deadline for the submission of written testimony in advance of the meeting. See RCW 42.30.240(1). Therefore, oral public comment is not required – public comment may be limited to written comment, or some allocation of both.[1]

Rules Governing Public Comments

Public comment opportunities at public meetings are considered "limited public forums" for free speech purposes. As such, most public comments should be allowed subject to adopted council rules which are viewpoint-neutral and reasonable in light of the purpose served by the forum.

The question for Council now is – **what rules do you want to adopt to govern public comments?**

Examples of allowable viewpoint-neutral rules are:

- Allow for written public comment and limit oral comment to in-person at the meeting only.

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[1] RCW 42.30.240(2) provides that "Upon the request of any individual who will have difficulty attending a meeting of the governing body of a public agency by reason of disability, limited mobility, or for any other reason that makes physical attendance at a meeting difficult, the governing body shall, when feasible, provide an opportunity for that individual to provide oral comment at the meeting remotely if oral comment from other members of the public will be accepted at the meeting." No matter how you structure your rules, this will still apply. The Clerk should receive any such request and provide the necessary remote oral comment opportunity where feasible.

- Limit the topics that can be discussed during public comment. Note that this does not get into viewpoints – only topics.
    - Limit all public comment to agenda items only and require the speaker to identify the agenda item at the outset of the comment.
        - If this is selected, you could eliminate the public comment period at the beginning of the meeting and use public comment as each item comes up (including consent agenda) to make it clear to which item the comment pertains.
    - Limit oral comment to agenda items only and allow written comments on any topic. Note that the public can always email the City on any topic – this rule would only pertain to those written comments that are submitted as a portion of the public meeting.
- Provide for two public comment periods.
    - Public comments at the <u>beginning</u> of the meeting may be made orally (remote or in-person) but must address agenda items only.
    - Public comments at the <u>end</u> of the meeting may be made orally (remote or in-person) and are allowed to address any topic the speaker wishes to bring to the body's attention.
    - Written comments on any topic can be submitted in advance of the meeting.
- Limit public comment to the comment period only and do not provide for public comment on each agenda item as well.
- Require advanced registration for oral remote comment. Provide your name and topic to the City Clerk by email, in-person, or phone by 5pm, or similar.
    - You **<u>cannot</u>** require registration or any other precondition to attend the meeting, so this would only apply to public comment.
- Require camera to be on if available.
    - Some people will be calling in on the phone, and others might not have cameras setup.
- Limit public comments to a shorter time per comment. For example, in advance of the comment period, Council could reduce the allowed time to 1 or 2 minutes.

On example of viewpoint-based rules to avoid:

- Rules that would require the chair of the meeting to make a subjective determination of the comments being made. This might include rules that require comments to be courteous or not be derogatory. One of the bedrock principles of free speech is that government may not prohibit the expression of an idea simply because society finds the idea itself to be offensive. There is no exception for hate speech under the First Amendment.

City of Gig Harbor
City Council Agenda Bill

Meeting Date: January 11, 2024

SUBJECT: Creative Endeavor Grant Funding

SUBMITTED BY: City Administrator Katrina Knutson
DEPARTMENT: Administration **PHONE:** (253) 851-6127

SUGGESTED MOTION: None.

BACKGROUND INFORMATION: The city initiated the Creative Endeavor Grant program in 2019 with the purpose of supporting projects that provide artistic, cultural, and creative experiences for the Gig Harbor community. The city has awarded these grant funds in 2019 – 2023, with the first year having awarded $13,830 and $50,000 in 2023.

At the city council study session of November 16, discretionary general fund expenditures were discussed. Due to the projected and experienced general fund decline, council opted not to fund several previously budgeted items, including the Creative Endeavor Grants (until such time revenues allow).

The city has received feedback regarding this decision, to include phone calls, emails, and testimony provided at the December 11 council meeting. Commenters expressed disappointment in pausing the grant program and noted how important the grants are to furtherance of arts and culture within Gig Harbor.

Should council wish to reverse the previous decision, there exists $35,000 for this grant program in the 2023-2024 budget.

FISCAL CONSIDERATION: None.

ATTACHMENTS: None

STRATEGIC PLAN PRIORITY: Maintain small town character and historic preservation while growing responsibly.